

## Conflict of Interest Management Policy

(Enacted on December 8, 2014)

(Revised on November 26, 2015)

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### 1. Objective

Pursuant to Article 21 of the JBA TIBOR Operational Rules (“Rules”) which pertains to processes and frameworks for the management of conflicts of interest, the Conflict of Interest Management Policy (“Policy”) identifies conflicts of interest that may arise in the concerned parties, reference banks, management and employees of the JBA TIBOR Administration (“JBATA”) and other persons involved in the JBA TIBOR administration. The Policy specifies methods to manage such conflicts of interest in order to ensure the soundness of the JBA TIBOR as a financial benchmark.

### 2. Definitions

The term “conflicts of interest” for the purpose of the Policy shall mean as defined in paragraph (2) of Article 21 of the Rules. Specifically, a conflict of interest exists when the interests of references banks, management and employees of JBATA and other persons involved in the JBA TIBOR compete/conflict with the interests of ensuring the soundness of the JBA TIBOR as a financial benchmark.

[Reference: Paragraph (2), Article 21 of the JBA TIBOR Operational Rules]

- (i) Given the extensive use of the JBA TIBOR as a reference rate for lending and derivatives contracts, conflicts of interest may arise from the conflict of the individual interests, the influence which arise from the involvement in the process of definition, determination, administration and governance of the JBA TIBOR by the person belonging to the financial institution which deal financial instruments as described previously on one hand, and, on the other hand the responsibility of submitting the rate appropriately pursuant to the definitions of the JBA TIBOR.
- (ii) A conflict of interest may arise when a person who may gain financial benefits depending on the level of the JBA TIBOR is involved in the JBA TIBOR determination process.

### 3. Organizations and persons subject to the Policy

The Policy shall apply to:

- (1) Reference banks;
- (2) Management and employees of reference banks engaging in the JBA TIBOR operation;
- (3) Management and employees of JBATA;
- (4) Members of the JBA TIBOR Oversight Committee; and
- (5) Service provider undertaking the JBA TIBOR calculation and other administrative work on behalf of JBATA, and management and employees of the service provider involved in such administrative work.

### 4. Potential conflicts of interest

Examples of conflicts of interest that arise or may arise include those described in the following

paragraphs. The organizations and persons subject to the Policy must understand that conflicts of interest are not limited to the following examples and could arise in any other situations, and must appropriately manage conflicts of interest.

(1) Reference banks

- Conflict of interest arises when the financial institutions' own interests compete/conflict with their responsibility for ensuring the soundness of the JBA TIBOR as a financial benchmark by appropriately submitting the rate pursuant to the definitions of the JBA TIBOR.
- Conflict of interest arises when financial institutions' responsibility for perusing their customers' interests competes/conflicts with their responsibility for ensuring the soundness of the JBA TIBOR as a financial benchmark by appropriately submitting the rate pursuant to the definitions of the JBA TIBOR.

(2) Management and employees of reference banks engaging in the JBA TIBOR rate submission process

- Conflict of interest arises when the professional interests of the management and employees of a financial institution compete/conflict with the responsibility for ensuring the soundness of the JBA TIBOR as a financial benchmark by appropriately submitting the rate pursuant to the definitions of the JBA TIBOR.
- Conflict of interest arises when the professional responsibility for perusing customers' interests as duty of a financial institution competes/conflicts with the responsibility for ensuring the soundness of the JBA TIBOR as a financial benchmark by appropriately submitting the rate pursuant to the definitions of the JBA TIBOR.

(3) Management and employees of JBATA

- Conflict of interest arises when the responsibilities of JBATA's management and employees for fulfilling their duties to satisfy interests of a related financial institution where they are concurrently affiliated to or to perusing customers' interest of the relevant financial institution competes/conflicts with their responsibility for ensuring the soundness of the JBA TIBOR as a financial benchmark by, among other things, assessing the appropriateness of the JBA TIBOR administration and monitoring the reference banks' fulfillment of their responsibilities to appropriately submit the rates pursuant to the definitions of the JBA TIBOR.
- Conflict of interest arises when benefits (e.g. economic benefits, including compensation paid by reference banks) provided to the JBATA's management and employees from fulfilling their duties for a related financial institution where they are concurrently affiliated to compete/conflict with their responsibilities for ensuring the soundness of the JBA TIBOR as a financial benchmark by, among other things, assessing the appropriateness of the JBA TIBOR administration and monitoring the reference banks' fulfillment of responsibilities to appropriately submit the rates pursuant to the definitions of the JBA TIBOR.

(4) Members of the JBA TIBOR Oversight Committee

- Conflict of interest arises when a member's duties to, among other things, act for the benefit of a reference bank with which the member individually enters into a delegation agreement (e.g.

the member assumes a position at the reference bank, such as corporate lawyer, and receives economic benefits from fulfilling that duty) compete/conflict with their responsibility for ensuring the soundness of the JBA TIBOR as a financial benchmark by, among other things, assessing the appropriateness of the JBA TIBOR administration and monitoring reference banks' fulfillment of responsibilities to submit the rate appropriately pursuant to the definitions of the JBA TIBOR.

- (5) The service provider undertaking the JBA TIBOR calculation and other administrative work on behalf of JBATA, and management and employees of the service provider involved in such administrative work
- Conflict of interest arises when the service provider's own interests (e.g. to gain an advantage in relation to the JBA TIBOR calculation and other administrative work) compete/conflict with its responsibility for ensuring the soundness of the JBA TIBOR as a financial benchmark by receiving appropriate reference rates from reference banks and calculating/publishing the JBA TIBOR rates.

## 5. Conflict of interest management policy

- (1) Reference banks, and management and employees of reference banks engaging in the JBA TIBOR rate submission process

Pursuant to item (iv), paragraph (3) of Article 21 of the Rules, JBATA shall develop the Code of Conduct, require reference banks to establish internal frameworks and monitor their status of compliance to ensure the soundness of rate submissions.

The reference banks shall establish processes for management of conflicts of interest in relation to rate submissions as stipulated in the JBA TIBOR Code of Conduct established by JBATA, and shall disseminate such processes to their management and employees to ensure their compliance.

- (2) Management and employees of JBATA

Pursuant to item (i), paragraph (3) of Article 21 of the Rules, JBATA shall select the majority of its Board members from persons other than those who are working for or belonging to financial institutions. The Board members shall, upon taking the position of a member, submit Form 1 "Declaration of conflicts of interests" to JBATA which then shall be published by JBATA.

Further, pursuant to item (xi), paragraph (3) of Article 21 and Article 32 of the Rules, JBATA shall ensure that remuneration plans for its management and employees are appropriately designed and implemented by giving due regard to risk management and compliance in order to avoid such plans to incentivize manipulation of the JBA TIBOR, for example by not setting a JBA TIBOR-based remuneration.

JBATA's management and employees must understand any conflicts of interest that may arise in themselves, and must not conduct the following unless such conduct is reported to the head of the Oversight Committee Office in advance and its appropriateness is verified by the head of the Oversight Committee Office.

- ① Pursuant to item (viii), paragraph (3), Article 21 and paragraph (1) of Article 30 of the Rules, to exchange with financial institutions (including reference banks) and other third parties without reasonable grounds unpublished information regarding the JBA TIBOR aggregation, calculation and publication, including individual reference rates submitted from reference

banks

- ② Pursuant to item (ix), paragraph (3), Article 21 and paragraph (2) of Article 30 of the Rules, to use information obtained concerning the JBATA's operations for their own interests or for third party's interests

(3) Members of the JBA TIBOR Oversight Committee

Pursuant to paragraph (3) of Article 8 and item (ii), paragraph (3) of Article 21 of the Rules, JBATA shall not appoint any persons belonging to financial institutions as a member of the JBA TIBOR Oversight Committee. The JBA TIBOR Oversight Committee members shall, upon assuming the position of a member, submit Form 2 “Declaration of conflicts of interests” to JBATA which then shall be published by JBATA.

Further, pursuant to item (xi), paragraph (3) of Article 21 and Article 32 of the Rules, JBATA shall ensure that remuneration plans for the Oversight Committee members are appropriately designed and implemented by giving due regard to risk management and compliance in order to avoid such plans to incentivize manipulation of the JBA TIBOR, for example not setting a JBA TIBOR-based remuneration.

The JBA Oversight Committee members shall report to JBATA in the case set out below, and shall not participate in the Oversight Committee’s resolution if they have a conflict of interest in the resolution.

- In case where the member undertakes any work related to JBA TIBOR in accordance with a reference bank’s request

Further, pursuant to item (ix), paragraph (3), Article 21 and paragraph (2) of Article 30 of the Rules, the JBA Oversight Committee members shall not use information obtained concerning the JBATA's operations for their own interests or for third party's interests

(4) The service provider undertaking the JBA TIBOR calculation and other administrative work on behalf of JBATA, and management and employees of the service provider involved in such administrative work

Pursuant to item (v), paragraph (3) of Article 21 of the Rules, JBATA shall maintain an appropriate administration framework by, for example, limiting operations outsourced to the service provider to the simple ones, such as collection, calculation and publication, in accordance with the “Guidelines on Outsourcing JBA TIBOR Calculation/Publication Operations.”

The service provider must not leak or provide to a third party any information that has come to its knowledge in the course of operations outsourced (particularly reference rates submitted from reference banks and official rates calculated) regardless of whether before or after the publication time unless it provides such information to JBATA or other companies as agreed under the outsourcing agreement.

6. Monitoring of the status of conflict of interest management

The JBA TIBOR Oversight Committee shall periodically monitor the management status of conflict of interest by the organizations and persons subject to the Policy, and shall provide recommendations for remedial action, if necessary.

Further, pursuant to item (iii), paragraph (3) of Article 21 of the Rules, in case JBATA needs to

revise the JBA TIBOR definitions or other relevant matters, the revision has to be reviewed by the Oversight Committee.

7. Disclosure of conflict of interest issues

Pursuant to item (vi), paragraph (3) of Article 21 of the Rules, if there is any individual case of a conflict of interest that is considered material and appropriate to be disclosed to the JBA TIBOR users, JBATA shall disclose such a case to the public provided that the Oversight Committee has discussed the case and has concluded to do so, with the final decision being made by the Board of Directors.

8. Information management

Pursuant to item (vii), paragraph (3) of Article 21 of the Rules, JBATA shall treat information concerning conflicts of interest with the utmost care and take measures to manage such information appropriately depending on the cases (e.g. setting up an office at a location isolated from other related organizations with limited access to the office etc.).

Further, pursuant to the aforementioned article of above, JBATA shall require related parties to adopt adequate measures to manage conflicts of interest promptly and fairly; in particular, to consider establishing effective procedures to control the exchange of information between relevant persons, who take part in activities that give rise to a risk of a conflict of interests.

9. Establishment of a whistle-blowing mechanism

Pursuant to item (x), paragraph (3) of Article 21 and paragraph (1) of Article 25 of the Rules, JBATA shall set up a whistle-blowing system within the Compliance Office so that personnel of the JBATA, companies and their personnel to which the JBA TIBOR-related operations are outsourced and personnel of reference banks can report and consult about manipulation and misconduct related to the JBA TIBOR in order to detect such incidents at an earlier stage. The whistle-blowing system shall encompass helplines connected to internal contacts and also to independent, external bodies.

10. Audit

Pursuant to paragraph (1) of Article 23 of the Rules, on an annual basis, in principle, JBATA shall be subject to internal and external audits on the execution of the JBA TIBOR calculation and publication operations, establishment and implementation of processes/procedures required under the Rules and the review of the JBA TIBOR administration framework (including reviewing the definitions and calculation methods).

Further, pursuant to paragraphs (3) and (4) of Article 23 of the Rules, JBATA shall report audit results to the Oversight Committee and then to the Board of Directors, and shall also disclose the outline of its execution of audits.

11. Periodic review and revision

Processes and frameworks for the management of conflicts of interest described in the Policy shall be periodically reviewed and revised if necessary. Any revision of the Policy including the necessity of its revision shall be discussed by Oversight Committee, and resolved by the Board of Directors.

(Supplementary rules)

1. Effective date

The Policy shall take effect on December 8, 2014.

(This English translation is provided exclusively as a convenience. Therefore, any interpretation of words and provisions of the policy shall be anchored the Japanese original version.)